



KAZAKHSTAN - TRADE LOGISTICS DEVELOPMENT ASSESSMENT AND RECOMMENDATIONS



Contents



- ➔ 1. Country Profile
2. Industry Analysis
3. Transportation and Logistics / Challenges Faced In Ttransportation and Logistics
4. Implications of Transport Corridors Through Kazakhstan
5. Recommendations

(S.W.O.T.) Strengths



- **High Economic Growth Rate**
- **Rich Industrial Metal and Mineral Resources**
- **Large Proven Deposits of Crude Oil and Natural Gas**
- **Natural Resources Support Industrial Production, Mining Sector and Source of Exports**
- **Strategically Positioned to Serve as Link Across Europe and Asia**
- **More Developed in Economic and Transport Capability in the Region**
- **Proximity to Russia, PRC and India – Provide Sources of low cost supplies and huge markets for exports**
- **Rail systems is more developed in legal and pricing tariffs - offering more cost effective means of transport**

(S.W.O.T.) Weaknesses



- Trade and Transport are not well connected to Major Markets
- Relatively Low Productivity of a Manufacturing Industry
- Insignificant Consumer Demand for Goods & Services in Home Market (small economy)
- Unbalanced Economic Development Remote Areas or Areas with no Oil and Mineral Deposits
- Large Land Surface Area Requires More Infrastructure Investments to Increase Rail and Road Density
- Land-locked country - No Direct Access to Sea Ports
- Low Expertise in Containerization – Limited Access to Overseas Market for Export products

(S.W.O.T.) Opportunities



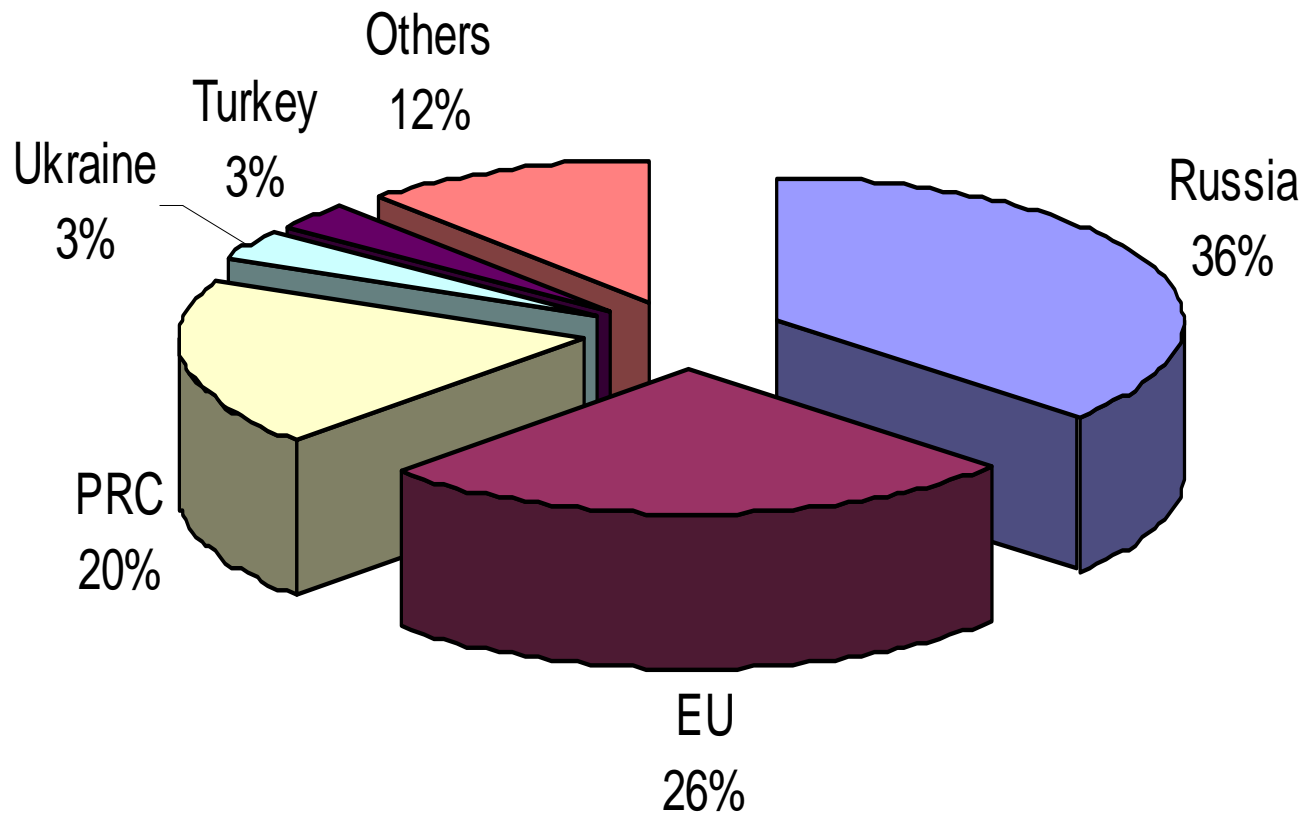
- Development of New Transit Route From PRC-Kazakhstan – CIS to Eastern and Western Europe - Offers Alternative Route to the Trans-Siberian Railways
- Proximity to Russia, PRC and India – Developing Economies Providing Low Cost Supplies and Huge Markets for Exports
- Boom in Oil and Commodities Increase Export Revenues – Enables Financing for Infrastructure Development

(S.W.O.T.) Threats



- Absence of Customs-Tariff Agreements on the Basic Transport Highways
- Absence of a Direct Exit to the World Trading Markets,
- Absence of the Rolling stock Corresponding to the International Standards
- Limiting Activity of Domestic Carriers in the international market of transport services
- Credit Crisis originated from U.S. could reduce Available Credit and Capital – Affects Capital Intensive Industries like construction in Kazakhstan

IMPORTS BY COUNTRIES -2006



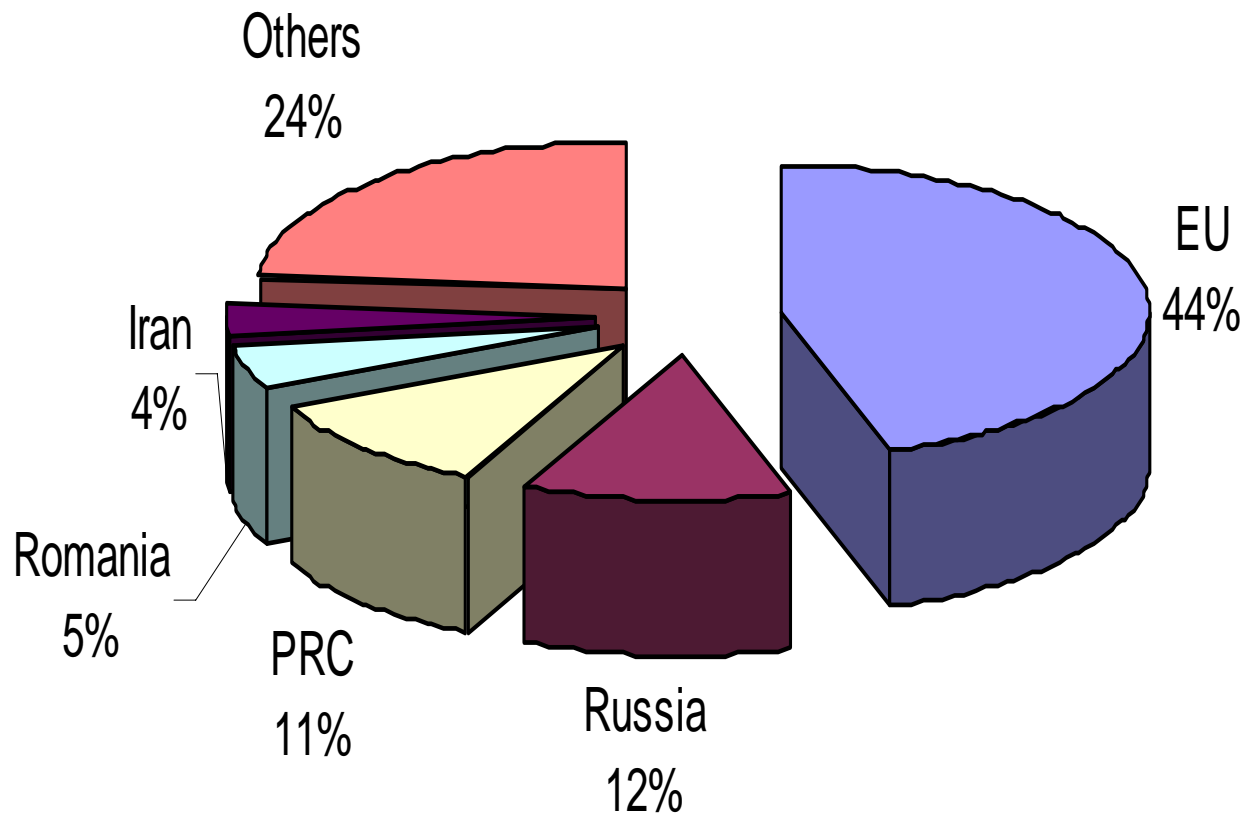
Source : IMF, Direction of Trade Statistics

Main Products Imported



- **Machinery**
- **Mineral Fuels & Oils**
- **Vehicles**
- **Articles of Iron & Steel**
- **Electric and Electronic Equipment**

EXPORTS BY COUNTRIES -2006



Source : IMF, Direction of Trade Statistics

Main Products Exported



- **Mineral Fuels & Oils**
- **Iron and Steel**
- **Copper**
- **Inorganic Chemicals**

Import / Export / Trade Balance With 20 Major Trading Partners



<i>Imports</i>		<i>Exports</i>		<i>Trade Balance</i>	
<i>Partners</i>	<i>%</i>	<i>Partners</i>	<i>%</i>	<i>Partners</i>	<i>%</i>
Russia	36.8	EU	45.4	EU	36.1
EU	25.7	Russia	10.0	Russia	23.5
PRC	19.5	PRC	10.9	PRC	15.0
Ukraine	3.4	Romania	4.9	Turkey	2.9
Turkey	2.8	Iran	3.7	USA	2.8
USA	2.6	USA	3.0	Romania	2.7
Korea	1.4	Turkey	2.9	Iran	2.0
Uzbekistan	1.2	Kyrgyzstan	1.0	Ukraine	2.0
Belarus	1.1	Japan	1.0	Korea	1.1
Japan	1.0	Uzbekistan	0.9	Uzbekistan	1.1
Kyrgyzstan	0.5	Korea	0.9	Japan	1.0
India	0.4	Ukraine	0.7	Kyrgyzstan	0.8
Canada	0.4	Bulgaria	0.7	Belarus	0.6
Turkmenistan	0.4	Tajikistan	0.6	Switzerland	0.4
Switzerland	0.3	Switzerland	0.6	Tajikistan	0.4
Israel	0.3	Afghanistan	0.4	Bulgaria	0.4
Romania	0.2	Azerbaijan	0.4	Canada	0.3
Brazil	0.2	Saudi Arabia	0.3	India	0.3
Cuba	0.1	Moldovia	0.3	Turkmenistan	0.3
UAE	0.1	Belarus	0.2	Azerbaijan	0.2

Source : IMF, Direction of Trade Statistics

Contents



1. Country Profile

➔ 2. Industry Analysis

3. Transportation and Logistics / Challenges
Faced In Ttransportation and Logistics

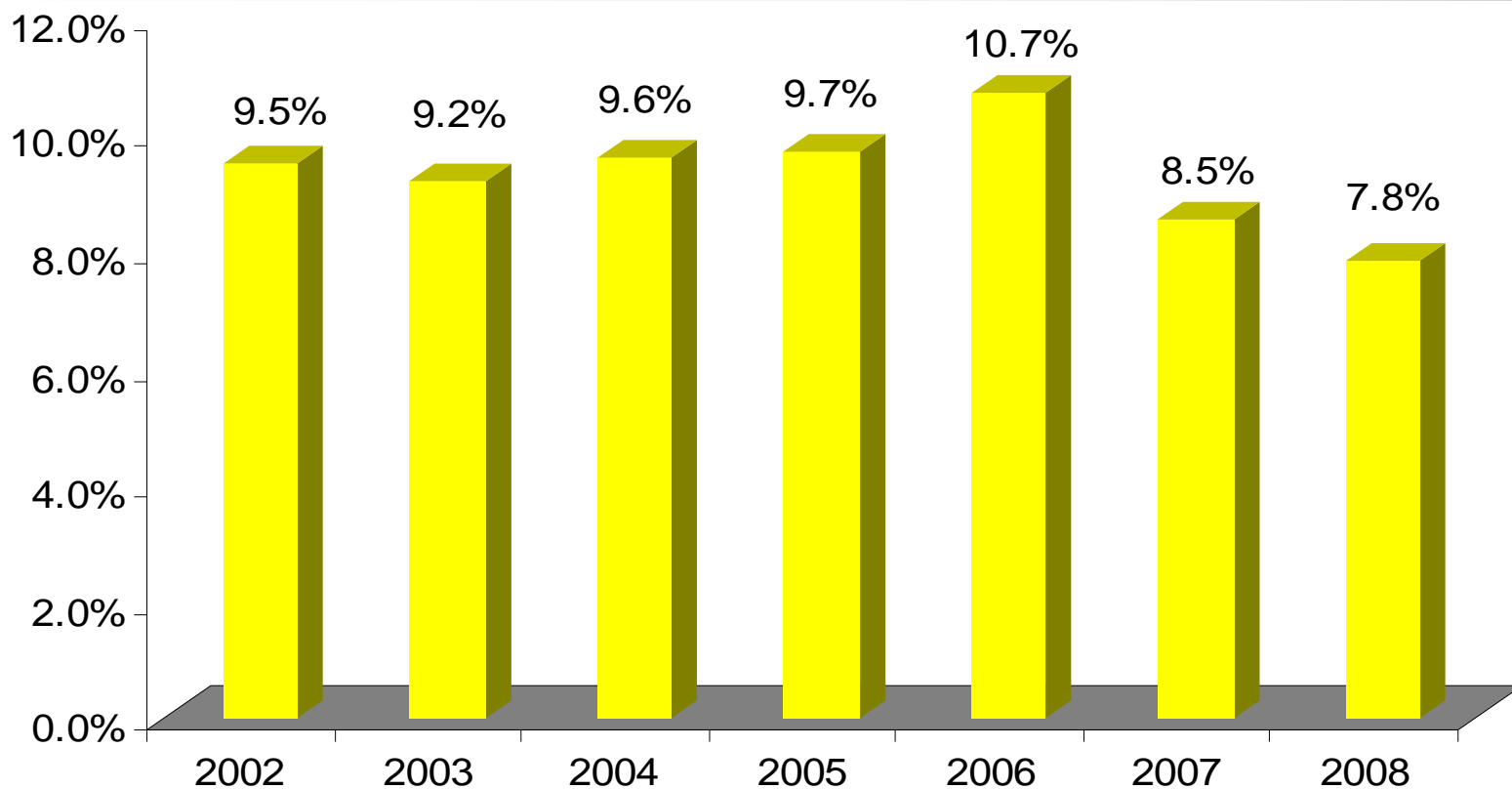
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Kazakhstan

5. Recommendations

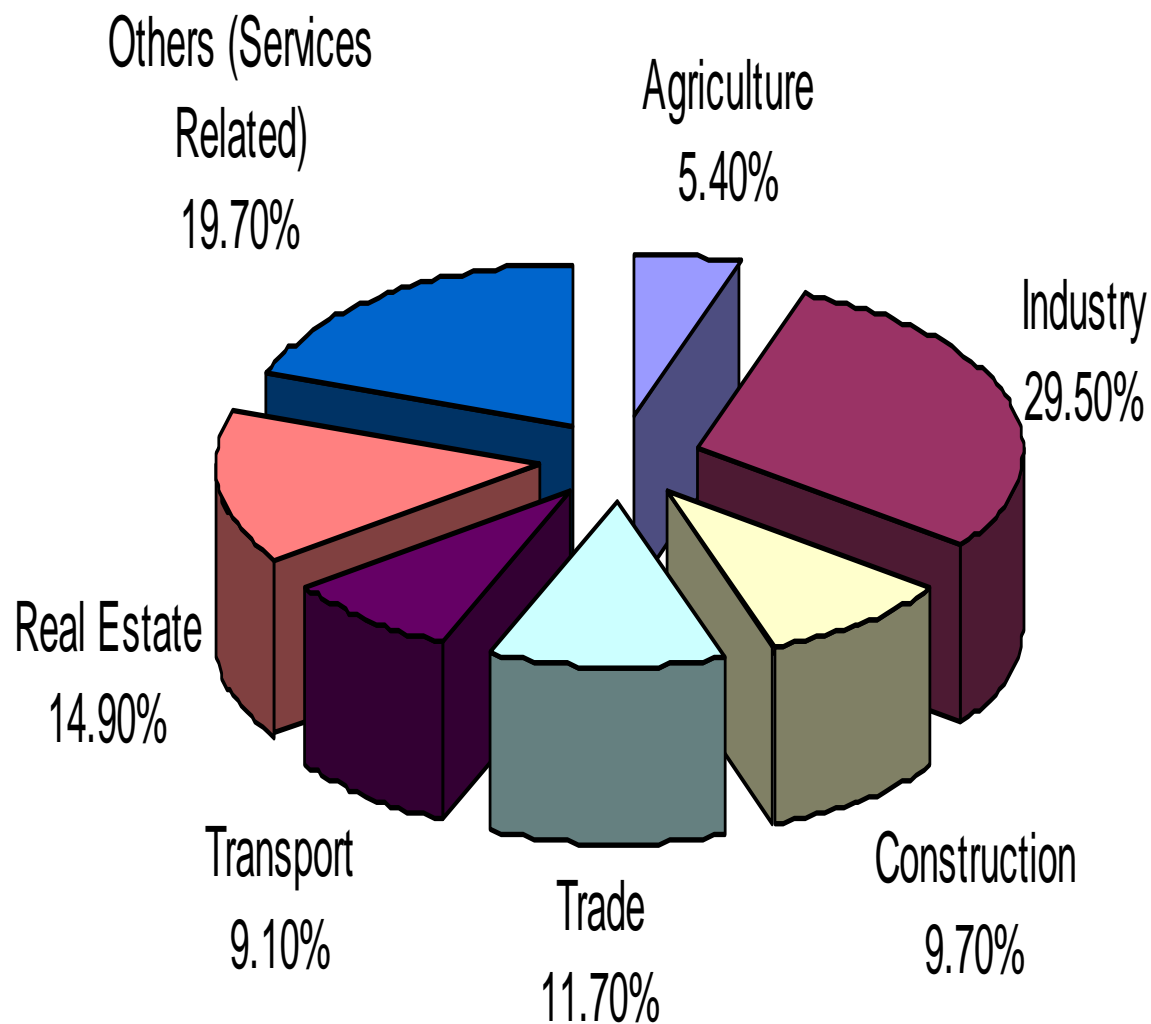
Domestic Economy



Annual Growth Rate – 2002 to 2008



Economic Structure - 2006



Source : Ministry of Industry and Trade

Economic Structure



- **Agriculture Sector** contributes 5.4% to the GDP –Kazakhstan is the 6th largest producer of grains
- **Industry Sector** driven primarily by Mining (54.5%), Manufacturing (39.4%) and Production & Distribution of Electricity (3.1%).
- Mining importance is due to abundant natural resources: oil & gas, coal, copper, zinc, uranium and silver
- **Manufacturing Sector is not well developed** - Capital and Consumer Goods Imported from Russia and PRC.
- Manufacturing Activities limited to Textiles, Chemicals & Fertilizers, and Pharmaceuticals.
- Building and construction industry experienced boom from 2005 to 2007.

Contents



1. Country Profile

2. Industry Analysis

➔ 3. Transportation and Logistics / Challenges
Faced In Ttransportation and Logistics

4. Implications of Transport Corridors Through
Kazakhstan

5. Recommendations

Overview of Transportation

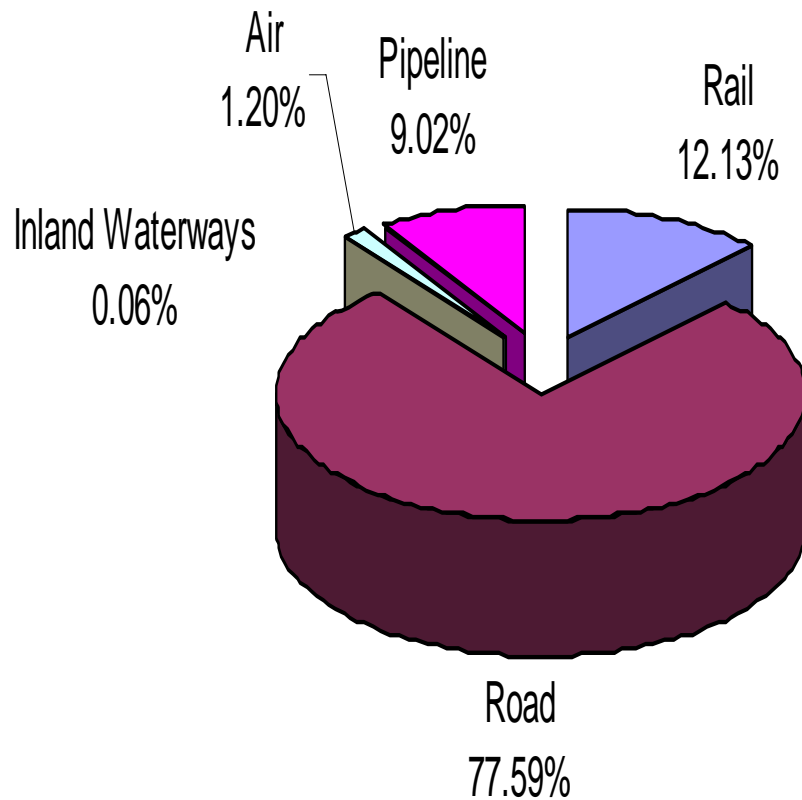


- **High dependence on Transport Networks Owing to**
 - **Vast territory**
 - **Land-locked Nature**
 - **Uneven spatial distribution of population clusters**
 - **Abundance of Natural resources**
- **Position as a Transit Potential between Europe and Asia**
- **Availability of natural stone reserves allow unrestricted development of railways and automobile routes.**
- **Automobile and railways routes account for a major share of the total above-ground transport routes**
 - **Automobile Routes - 88, 400 km**
 - **Rail Routes - 14, 205 km**
 - **Navigable waterways - 3,900 km**

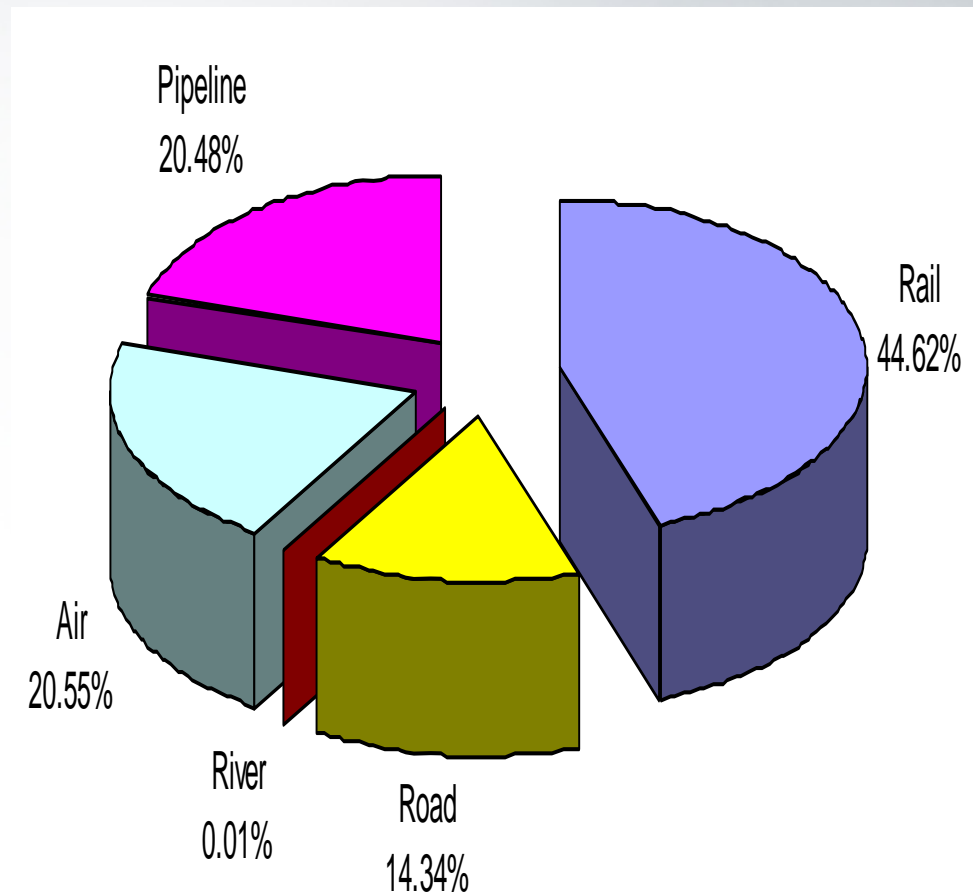
Cargo Load & Freight Turnover - 2007



- Cargo Load
 - 2,148 Million Tons



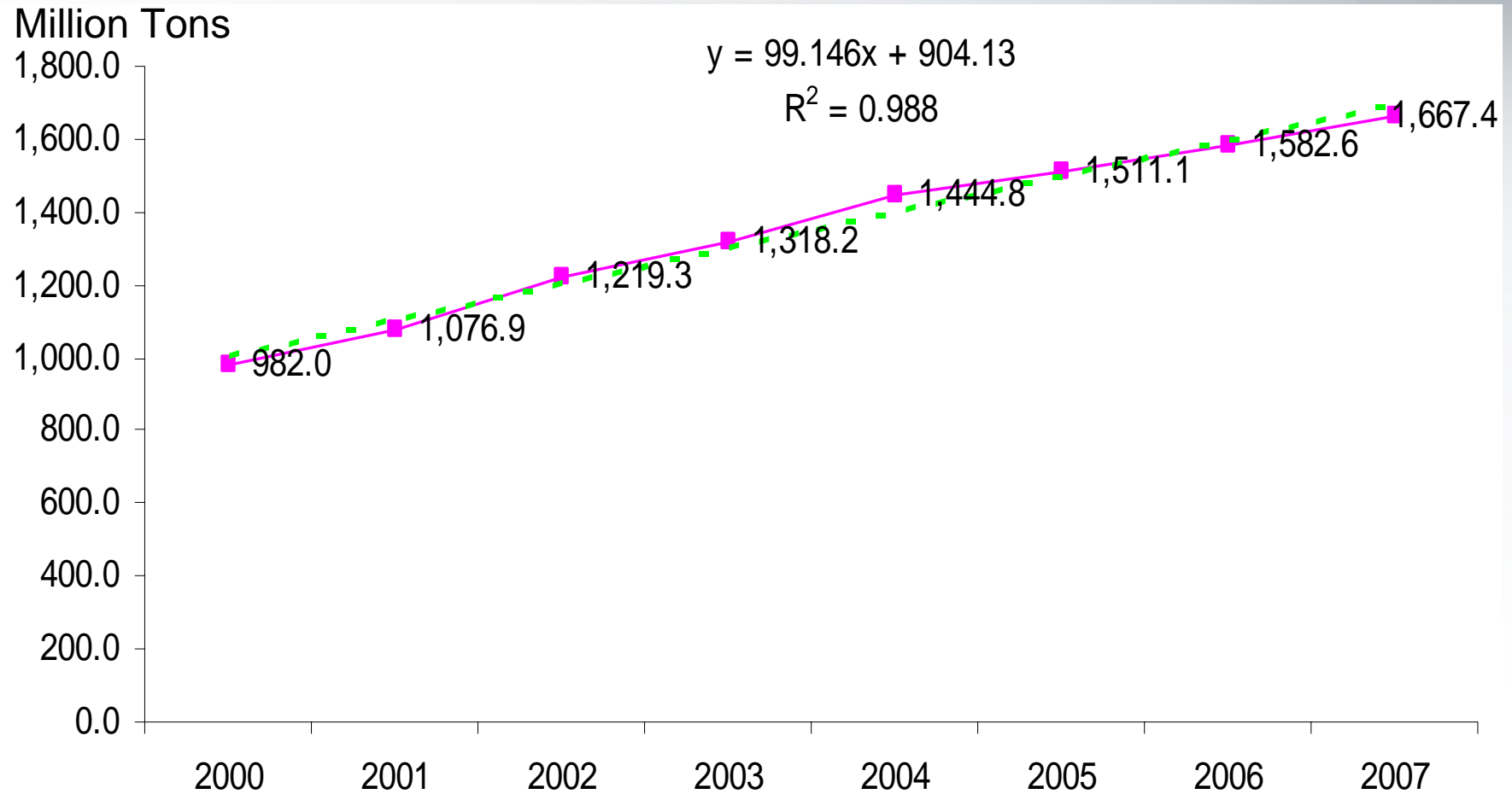
- Freight Turnover
 - 428 Billion Tons



Rail Transport



Freight Volume Transported by Rail -2000 to 2007

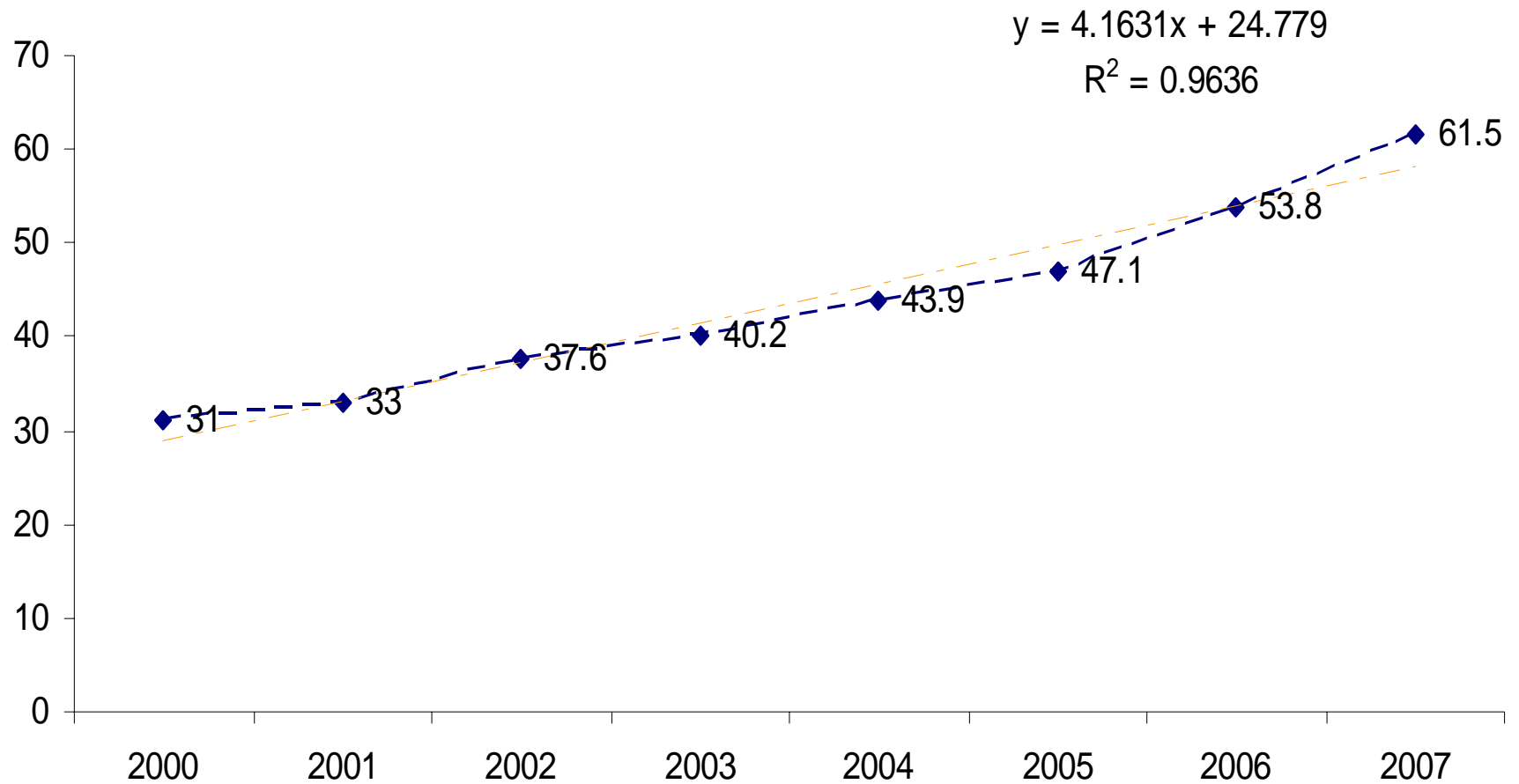


Rail Transport



Cargo Turnover By Rail -2000 to 2007

Billion Tons-Km

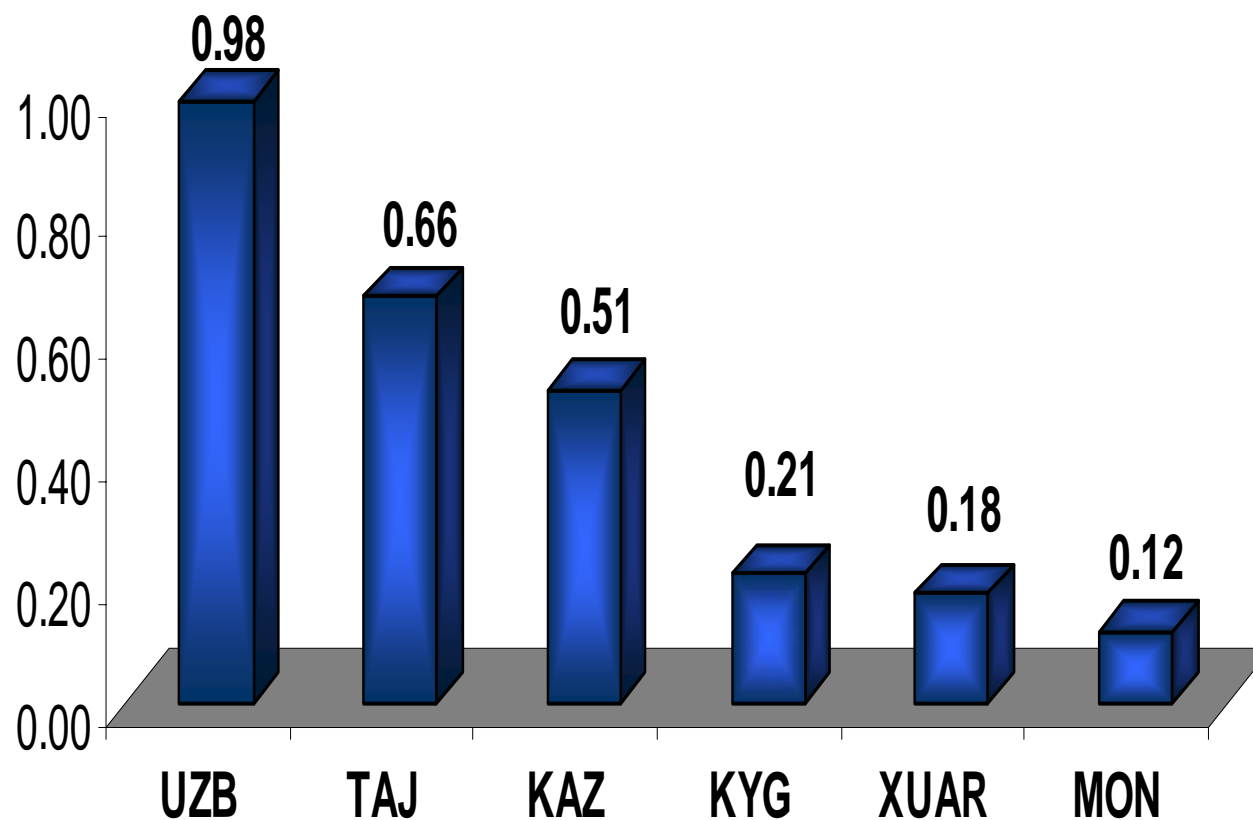


RAIL TRANSPORT - CHARACTERISTICS



- Length of Rail Lines : 14,205 km
- 30% of railways (4,143km) are electrified tracks
- Number of locomotives : 5,192
- Number of rail wagons : 59,954
- Products transported : Heavy Machinery, Bulky Commodities (high volume and low value).
- Positive Support by the Government - Purchase of new locomotives and railway tracks

Comparison of Rail Density By Country



Key Challenges



- **Facilities At Important Rail Nodes**

- The capacity of the rail transport is compromised due to the lack of facilities in certain important rail nodes, for example, cities like Karagandy, Shymkent, Aktobe and Aktay. Cargo terminals and warehouses are running at high capacity or utilization. Expansion for the storage capacity for these cities is required in near future.

- **Discussion With Russia and PRC on Rail Issues**

- Since Russia and PRC are such important trading partners for Kazakhstan, special attention is also required to discuss rail transport issues with these two countries
- The cross crossing of border with Russia does increase the cost for shippers though. Payment of to Russian Customs demand of US\$500 for US\$600 for such transit increases costs. Unfortunately, there is no viable alternative as the road conditions in the northwestern oblasts are poorly maintained
- PRC railways have more stringent regulations and documentation

Key Challenges



- **Investment In Dostky Terminal**

- The PRC has invested aggressively in Alashankou (opposite number of Dostky terminal) to increase capacity and efficiency. Same rate of investment is not seen in Kazakhstan. Thus, Dostyk has become a bottleneck for the transport corridor that links Urumqi – Alashankou – Dostyk – Aktogai – Almaty.
- Dostyk is an important node. It lies in CAREC Corridor 1, TRACECA route and the new trans-Asia Europe railway. Increasing the capacity of this railway terminal will greatly enhance the attractiveness of this transit route for shippers.

- **Rolling Stock Issue**

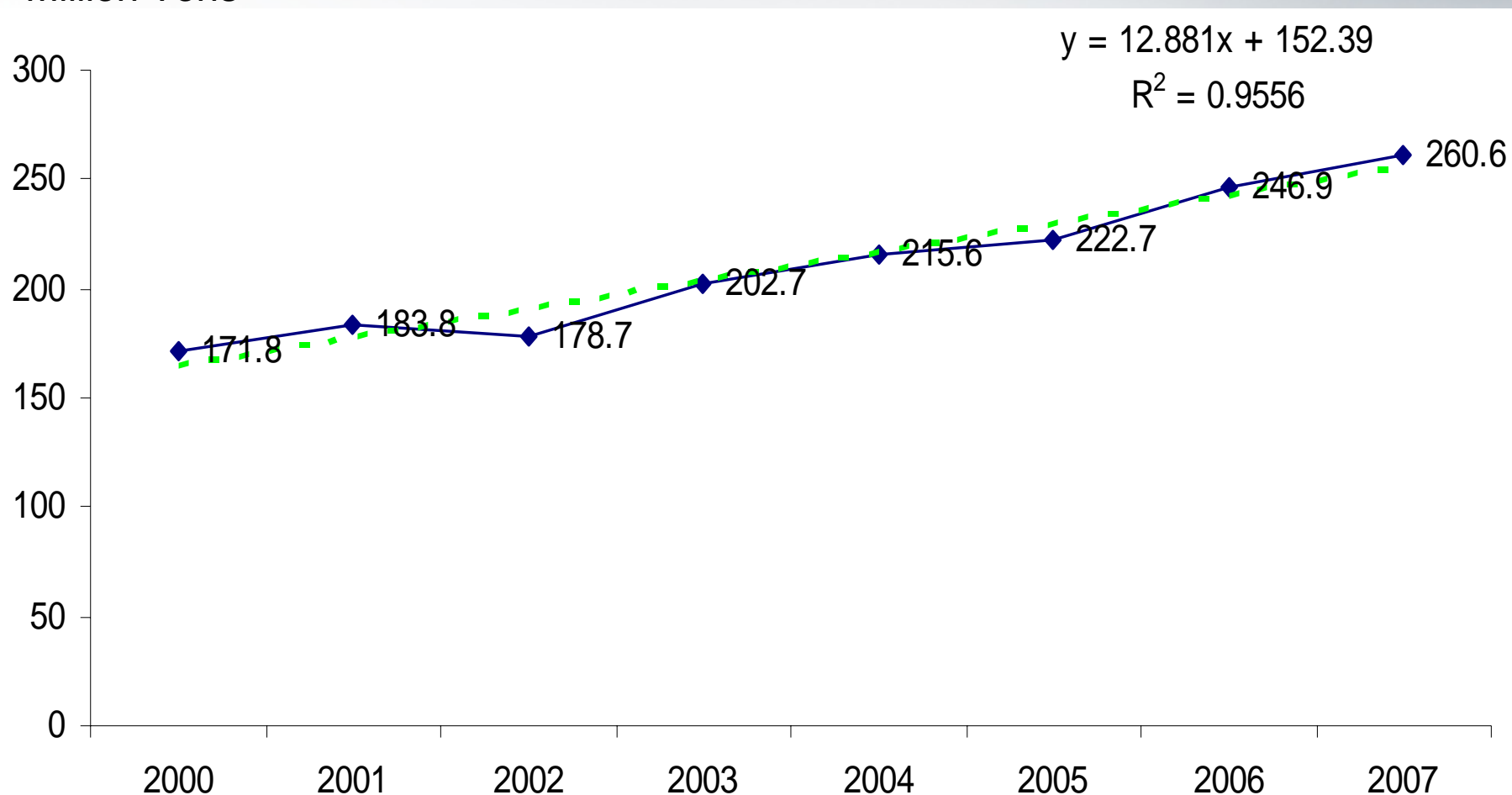
- Due to differences in railway gauges, goods need to be transloaded from Chinese rail wagons to Kazakh rail wagons, using machines in Dostyk. Whereas the PRC adopts international gauges, while the Kazak Rail uses Russian standards

Road Transport



Freight Volume Transported by Road -2000 to 2007

Million Tons

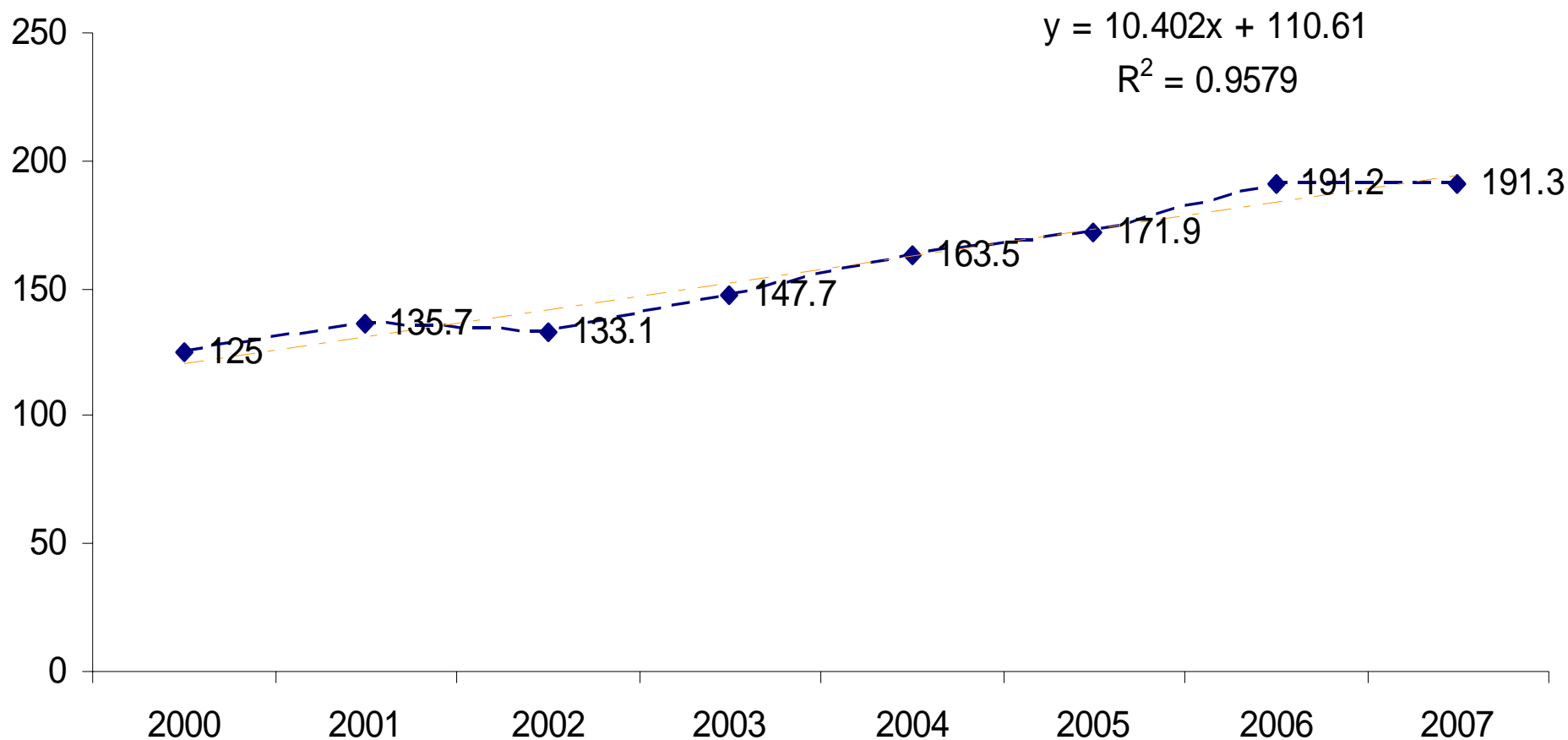


Road Transport



Cargo Turnover By Road - 2000 to 2007

Billion Tons-Km

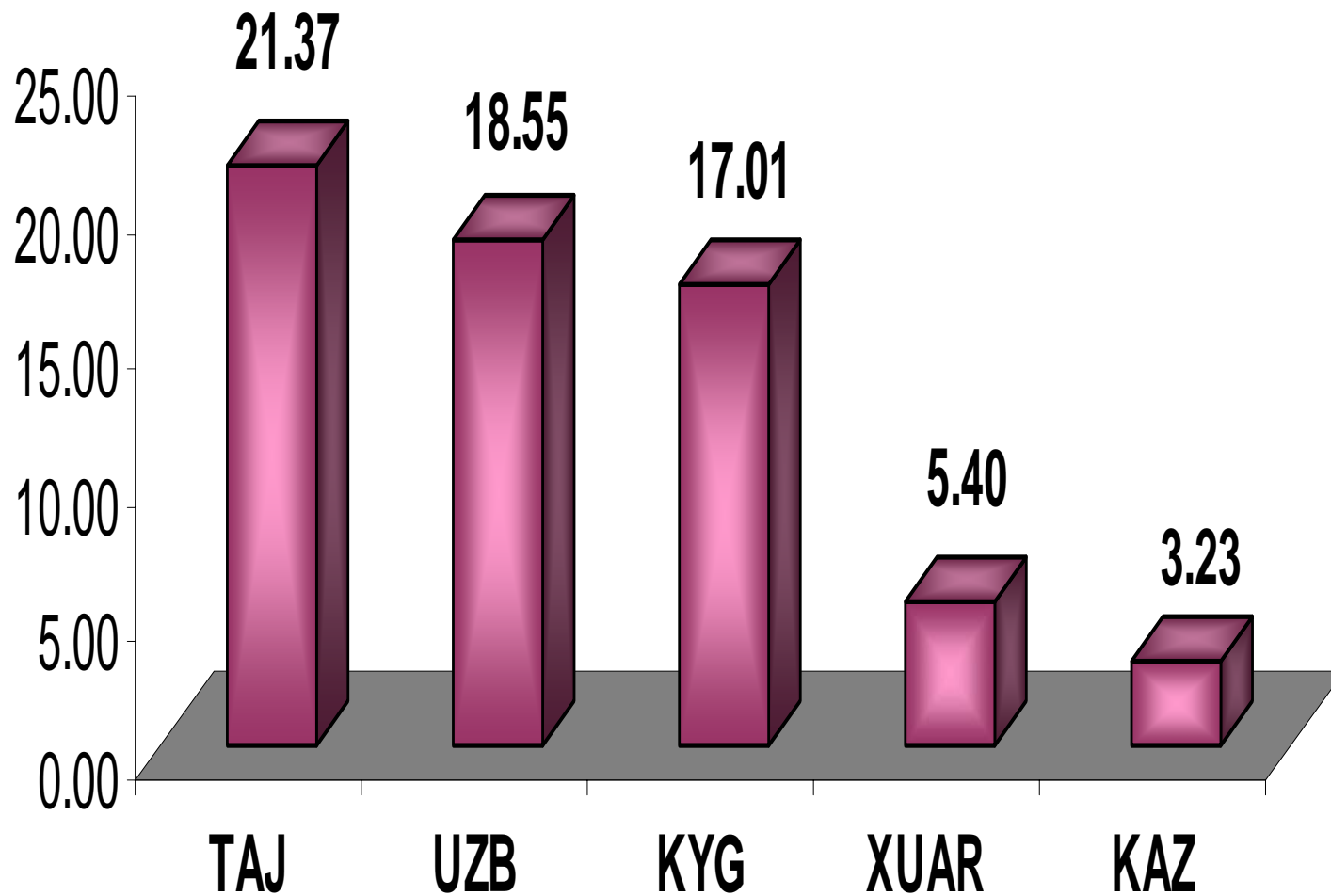


ROAD TRANSPORT - CHARACTERISTICS



- Length of Roads : 88,400 km
- Mainly of Class III standards
- Volume transported through road is 6.4 times more than those by rail
- Increase annual growth rate of 8.32%.
- Development of the '**Western-Europe – Western China**' project
 - Will affect 2,624 km stretch of roads in Kazakhstan.
 - Entire route passes through five oblasts, originating from Orenburg (Russia) and ends at Korgas (PRC).

Comparison of Road Density By Country



Key Challenges



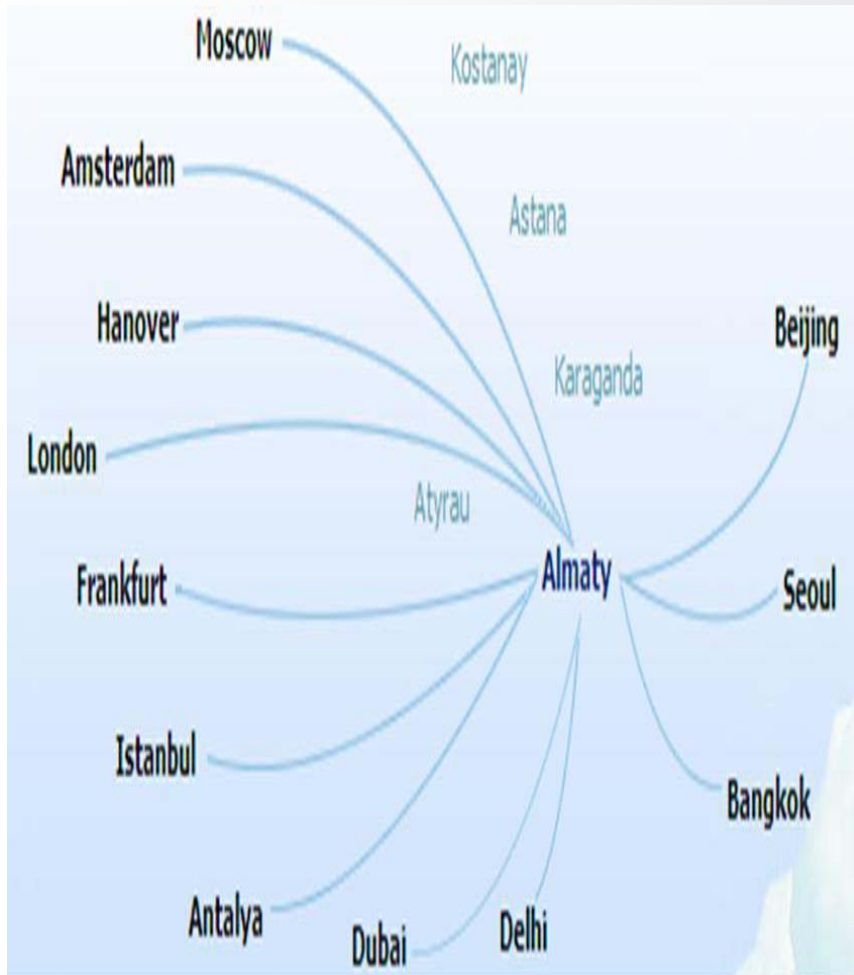
- **Inconsistent Quality of Roads**
 - The eastern sector has relatively good roads; the western requires upgrading.
 - Economic and construction boom in the west led by oil exploration companies put additional stress on the road networks
- **Transit routes having to criss-cross into another country**
 - Along the key route of Shymkent – Taraz – Almaty that traverses three oblasts, a part of it lies in the Kyrgyz Republic (through Bishkek). Can result in additional costs
- **Empty return cargo**
 - Can be a result of low population density. Most of the road transport originates from east to west. When delivery trucks return eastwards, a high proportion is empty or only partially filled.

Aviation Industry



- Has achieve remarkable growth in passenger and cargo traffic
- Well established hubs at Astana, Almaty and Atyrau, which covers the flow of goods in the northern, southern and western regions
- Continuous Investment in modernizing assets, such as air navigation systems and radio equipment
- Proactive seeking and negotiating new air routes to major cities in the world
- Accession to major international agreements and conventions, for example, “World Convention on international Transportation through Air”
- Aggressive use of ICT in transforming the airline operations

Aviation Industry



KAZAKHSTAN INTERNATIONAL CONNECTIVITY



KAZAKHSTAN DOMESTIC CONNECTIVITY

Key Challenges



- **Limitation of One National Carrier**
 - With population size of 15 million, unlikely to support another carrier
 - Limits motivation for competition and innovation
 - Improve Customer Service and Respond Time to Enquiries

Pipeline Transportation



- **Key consideration in Kazakhstan's transport strategy** for the transport of oil and gas to export markets in the east (principally PRC) and the west (Europe).
- Oil export likely growth at an annual rate of 13.9%
 - Rapid pace of development of new oil and gas fields
 - Strong demand from customers to both East and West.
- Most significant pipeline development
 - BTC line (Baku-Tbilisi-Ceyhan) through the Caspian Sea
 - Kazakhstan and Azerbaijan paved the way for trans-Caspian flow of oil from Aktau.
- To the east, oil pipeline linking Tenkiyak field to Kumbol has started operations and will send more oil to PRC

Logistics Sector & Services



- 1) 73 enterprises offer logistics related services
- 2) Include multi-modal transporters, customs brokers, integrated service providers and freight forwarders
- 3) Categorized into three main groups
 - a) Express and Courier Companies
 - b) Service Providers – include Freight Forwarders, Customs brokers
 - c) Manufacturers / Traders

Capacity Building – Logistics Providers



- Lack of Professionals in the Logistics Industry is Recognized and Human Resources Requirements are Satisfied Through
 - Formal Training Provided in Public Institutions (Kazakh Academy of Transport and Communications)
 - Formal Training Provided by Private Schools (KazARI – Kazakh Automobile Road Goncharov Institute)
 - Government Subsidy For Local Citizens undertaking Formal Training

Role of National Association - KazATO



- Union of International Road Transport Carriers, Republic of Kazakhstan (KazATO)
 - 200 Members
 - Acts as the association guaranteeing the operations of the TIR system on the territory of Kazakhstan.
 - Control of operations by national carriers in international haulage
 - Training and upgrading of skills of road transport staff (maintains a Training Centre accredited to the International Road Union (IRU) which manages the TIR convention)

Supply Channels



To facilitate the production, warehousing, transportation and final sale of products :

- **Logistics Centres**
- **Free Trade Zones**
- **Exhibition Complexes**

KEY CHALLENGES



- **Lack of Expertise in Containerization**
 - The integration with the worldwide transport networks via containers is very low.
 - Degree of discomfort in sending via a standard 20' or 40' ISO containers due to the limited knowledge in technical specifications and documentation.
- **High Cost of Import Tariffs for Containers**
 - Import tariff placed on containers increased from US\$200 to US\$400
 - Discourages the flow of containers and also affects bilateral trade

KEY CHALLENGES



- **Visa Requirements and Fees**
 - Within the region, Kazakh truckers required to apply for visas subject to payment of fees – Turkmenistan and PRC
 - Lengthy span of time to apply for visas
- **Training**
 - Current Training geared towards road transportation curriculum
 - Introduce new curriculum to include training integrated logistics, supply chain, innovative technological applications and FIATA / IATA related subjects



KEY CHALLENGES

- **Burdensome Customs Procedures**
 - The documentation is also complicated
 - Adds to time and cost for importers and exporters.
 - For example, operators at Korgas need to apply for a Certificate of Import, which costs US\$15

<i>Nature of Export Procedures (2007)</i>	<i>Duration (days)</i>	<i>US\$ Cost</i>
Documents preparation	20	200
Customs clearance and technical control	23	200
Ports and terminal handling	11	380
Inland transportation and handling	26	1,950
Totals	89	2,730

<i>Nature of Import Procedures (2007)</i>	<i>Duration (days)</i>	<i>US\$ Cost</i>
Documents preparation	33	100
Customs clearance and technical control	16	200
Ports and terminal handling	4	380
Inland transportation and handling	23	2,100
Totals	76	2,780

Source : *Doing Business in Kazakhstan* (World Bank), 2008

KEY CHALLENGES



- **Frequent Changes to Customs Laws**
 - Frequent changes to the requirements and tariffs make planning difficult.
- **Limitations in Banking and Finance**
 - High cost of financing
 - Deters companies to re-invest and purchase new equipment such as more fuel efficient trucks
 - Commercial loans at Halyk Bank or KazCommercial Bank have an interest of about 16.5% per annum

Contents



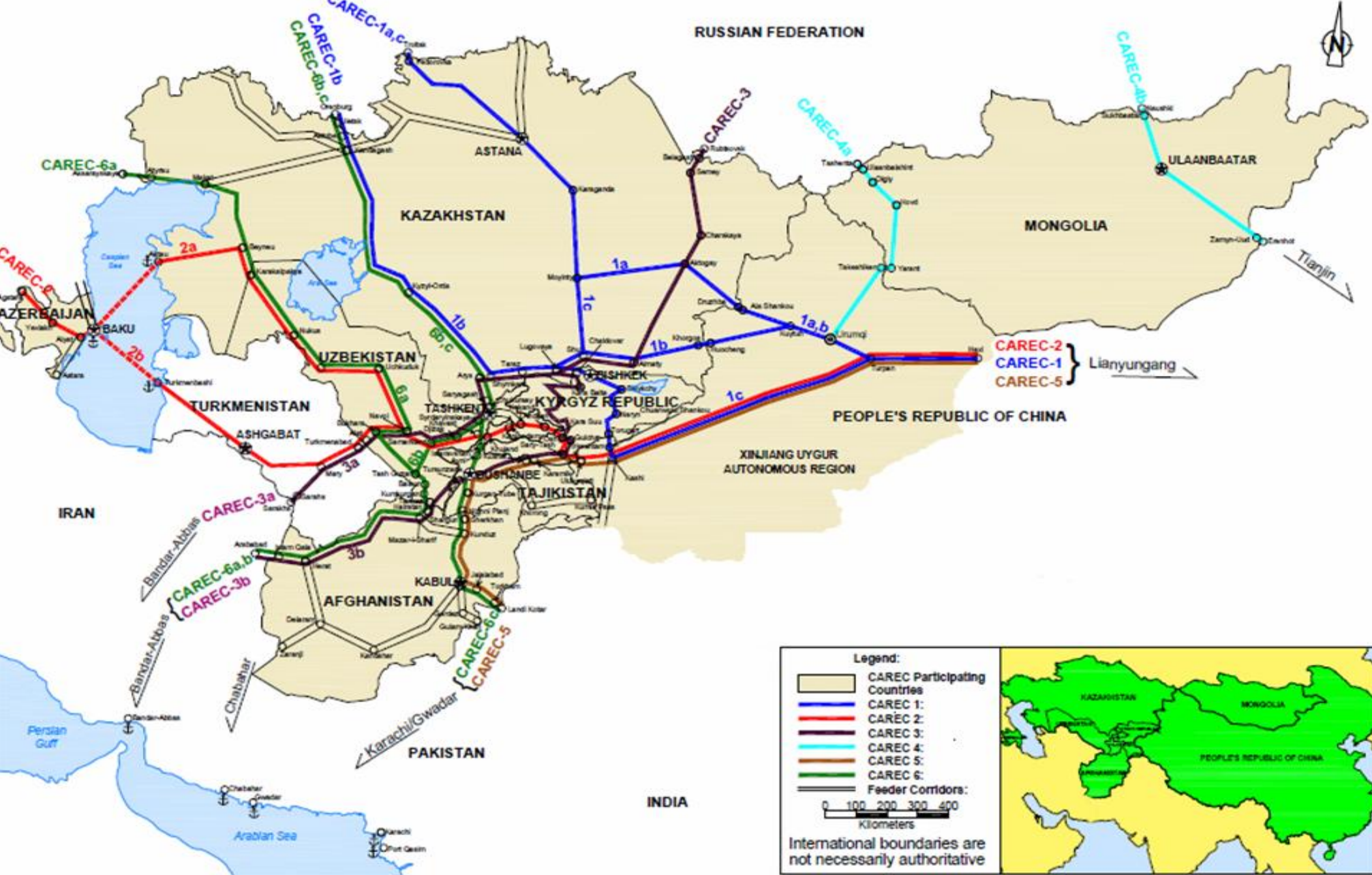
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2. Industry Analysis

3. Transportation and Logistics / Challenges
Faced In Ttransportation and Logistics

➡ 4. Implications of Transport Corridors Through
Kazakhstan

5. Recommendations



Major Transport Corridors Along Kazakhstan

Source : CAREC Transport and Trade Facilitation Strategy, April 2008

Implication of Transport Corridors



- **Six Transport Corridors Identified**

- **Of the six corridors, Corridors 1 and 6 are most important to Kazakhstan Since they have a substantial part located in the country**

Significant Impact on most domestic distribution routes and linkages with her neighbouring countries.



CAREC Corridor 1

Corridor 1(a) :

Alashankou (PRC) - Dostyk – Aktogai – Moiynty – Karagandy – Astana – Troitsk (Russia)

Corridor 1(b) :

Huerguosi (PRC) – Korgas – Almaty – Shu - Taraz – Kyzylorda – Aktobe – Zhaisan – Orenburg (Russia)

Corridor 1(c) :

Bishkek (Kyrgyzstan) - Lugovoi – Taraz – Shu - Moiynty – Karagandy – Astana – Troitsk (Russia)

CAREC Corridor 1



1. Most Important For Kazakhstan
2. Large part of the corridor passes through Almaty and Astana
3. Route links the country to the two largest economies in the world
4. The potential for transit traffic is tremendous for this route
5. Rail transport takes precedence – long distance traversed
6. Kazakhstan also needs to harmonize the documentation and customs procedures with the Chinese customs to expedite the smooth and safe passageway to Europe
7. Potential for dedicated container block train services with competitive rates to attract higher demand.

CAREC Corridor 2



Corridor 2(a) :

Baku (Azerbaijan) – Aktau – Beineu – Karakalpakstan – Nukus (Turkmenistan)

- Peripheral route for Kazakhstan.
- Importance lies in pipeline and inland waterways to distribute crude oil and natural gas across the Caspian Sea, westwards to European market
- Important that seaport at Aktau not only be developed but also the corresponding infrastructure in the Mangystau oblast be upgraded
- Requirement for high quality roads and highways, extending railway lines to exploration and mining zones, integrated logistics park, free trade zones and cargo terminals to support the energy and construction sectors.



CAREC Corridor 3

Corridor 3(a) :

Rubtsovsk (Russia) – Semey – Aktogai – Almaty – Shu – Lugovoi – Taraz – Shymkent – Tashkent (Uzbekistan)

1. Strategic importance of the city of Semey
2. Cargoes from the Russian city of Rubtsovsk will need to pass through Semey, before cargoes are redistributed to westwards to Astana via Pavlodar or southwards to Almaty.
3. Semey a good location for a consolidation centre for the region in east Kazakhstan
4. Semey proximity to industrial clusters – thus potential as a transport and multi-modal hub

CAREC Corridor 6



Corridor 6(a) :

Astrakhan (Russia) – Atyrau – Makat – Beineu – Karakalpakstan – Nukus (Turkmenistan)

Corridor 6(b) and (c) :

Orenburg (Russia) – Aktobe – Kyzylorda – Saryagash – Tashkent (Uzbekistan)

Portrays Significance of Beineu in the western region

Beineu is the pivot point linking Turkmenistan and Russia – Potential transit traffic

(Potential Can be compromised as no direct rail connections to Aktau and Atyrau)



First Tier



Second Tier

First Tier Development

1. Almaty City
2. Astana City
3. Aktau
4. Atyrau
5. Aktobe
6. Karagandy

Second Tier Development

- | | |
|------------|-------------------|
| A. Korgas | G. Zhaisan |
| B. Dostyk | H. Karakalpakstan |
| C. Beineu | |
| D. Semey | |
| E. Taraz | |
| F. Troitsk | |

PROPOSED KEY NODES IN TRANSPORT CORRIDORS FOR INVESTMENT AND DEVELOPMENT

Contents



1. Country Profile

2. Industry Analysis

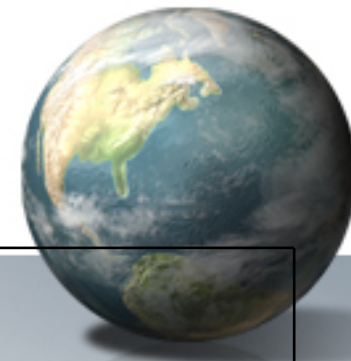
3. Transportation and Logistics / Challenges
Faced In Ttransportation and Logistics

4. Implications of Transport Corridors Through
Kazakhstan

➔ 5. Recommendations

RECOMMENDATIONS

TO IMPROVE INFRASTRUCTURE



S/N	CAREC Corridor	Proposals
1	1a	Construct new rail from Shalkar to Beineu
2	1b	Construct new rail from Korgas to Almaty via Zhetigen
3	6a	Electrification of rail linking Makat to Kandagash
4	1a	Electrification of rail linking Dostky to Aktogai
5	1a	Electrification of rail linking Aktogai to Mointy
6	1b / 6b	Improve regional road systems from Kostanai to Aktobe to Uralsk
7	6a	Construct new road linking Shalkar to Beineu
8	3a	Improve airport at Semey
9	3a	Explore waterways transport from Semey to PRC
10	1b / 3a	Rehabilitate road from Almaty to Taraz to Shymkent
11	6a	Develop Aktau into an integrated logistics centre
12	1a	Increase throughput capacity at Dostyk
13	1b	Increase throughput capacity at Korgas
14	1a / 1b	Improve clearance productivity at Zhaisan and Troitsk
15	2a / 6a	Improve clearance productivity at Karakalpakstan

RECOMMENDATIONS



TO IMPROVE OPERATIONS CAPACITY AND ACTIONS RELATED TO INSTITUTIONAL REFORMS

S/N	Type	Proposals
1	Ops	Review container import tariffs
2	Ops	Promote container traffic
3	Trade Promotion	Promote trade relations
4	Education	Conduct FIATA/ IATA courses
5	Education	Introduce modern logistics curriculum and market Almaty as the education hub
6	Immigration	Review immigration rules to attract overseas logistics professionals
7	Customs	Customs to streamline the export and import procedures
8	Customs	Customs to consider single electronic window for permit application, declaration
9	Financial	Consider a fund dedicated for transport and logistics
10	Financial	Loans for small medium logistics companies

Thank you

